

Date: 14th August 2013

From
VAS.KSS
Research Scholar in Management Studies
E-Mail: vasu.researchscholar.au@gmail.com

To
Shri Arvind Kumar, Advisor (Networks, Spectrum and Licensing), New Delhi traijams@gmail.com

Sub: Comments on Consultation Paper No. 06/2013 dated 23rd July, 2013 on “Valuation and Reserve Price of Spectrum”.

Q.15. Apart from the approaches discussed in the foregoing section, is there any alternate approach for valuation of spectrum that you would suggest? Please support your answer with detailed data and methodology.

Comments:

Valuation of spectrum: Spectrum can be charged as “per minute usage by customer” basing on the minutes of usage of all customers, the total amount to be collected from the service provider in a particular band.

For example:

- The spectrum usage charges: 10paise per minute per user for voice calls in a particular spectrum band
- Total minutes of usage of voice calls in that spectrum band in an LSA: 100cr. Minutes/month
- Then the total amount is to be collected from that service provider in that month = 10paise x 100 Cr minutes =Rs.1Cr/month
- If we take this is an average, then for 20 years the total amount = 20yrs x 12 months x Rs.1Cr=Rs. 240 Crs in one LSA by one service provider.

In similar way, the spectrum usage charges can be fixed for all other mobile services viz., SMS, MMS, Data, video call, etc. **Sample** spectrum charges per user may be as below:

- 12 paise per minutes for voice calls in 3G band
- 3 paise per each SMS/MMS transaction for normal customer
- 5 paise per each SMS/MMS transaction from machine to machine communication
- 12 paise per Vedio call/one minute
- 1 paise per 1 minute data usage in 2G
- 2 paise per 1 minute data usage in 3G
-and so on.

This spectrum usage charges can be reviewed time to time basing on the circumstances or when ever new range of service is identified / introduced.

The “spectrum usage charges” to be charged to individual user can be arrived basing on the previous year’s statistics and the spectrum charges paid by the respective service providers. (**Example:** User charges for voice calls in 2G band in an LSA = Amount paid in the last year towards spectrum charges by the service provider /total number of minutes of usage by all customers in that year)

In this method:

- No need to auction the spectrum to the existing service providers who completed one term of licence.

- Advance amount, if required to collect from the service provider, can be collected basing on the previous year's average usage and can arrive the amount.
- No need to spend lot of amount as capital investment by service providers, and they can invest on operations, maintenance & expansion of the network, so that the quality of service and level of customer satisfaction can be maximized.
- New service providers need to pay the amount equal “**yearly average amount x n years**” (n= 3 to 5). I.e. in each LSA there are many operators who are offering services, hence, the yearly average amount of the highly paying service provider can be fixed as the “yearly average amount”.

“Minutes of usage” is not available in public domain, hence, unable to support with real statistics. But, **TRAI** may be having the usage details of all customers under each band of telecom spectrum in each LSA, hence, TRAI can calculate and arrive the actual figures to understand the quantum of amount basing on historical statistics.

Reserve Price: As such there will be no auction under this method of valuing spectrum; no reserve price is required to arrive.

With Regards

VAS.KSS

Research Scholar in Management Studies

E-Mail: vasu.researchscholar.au@gmail.com